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FEDERAL COMMUNICATIONS COMMISSION
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OFFICE OF
THE CHAIRMAN

Honorable John T. Myers
House of Representatives
2372 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Myers:

Thank you for your letter expressing concern about how our new cable regulations may affect small cable systems.

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AUG 16 1993

As you know, our rate regulations are currently under reconsideration. Accordingly, your comments are being made part of the record of that proceeding (MM Docket No. 92-266).

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In addition, I wish to reiterate my own concerns about the regulatory impact of the 1992 Cable Act on small cable systems, especially those not affiliated with any MSO. I have directed the staff to explore a number of alternatives designed to alleviate the burdens that would otherwise be imposed on small systems to insure they remain a viable part of the telecommunications infrastructure. I assure you that the Commission is making every effort to minimize any negative repercussions for small operators resulting from re-regulation, within the bounds of the discretion provided to us by the Act itself.

As to your question regarding the customer service obligations of small cable systems, the specific issue of office locations is pending in our reconsideration of those rules and your comments will be made a part of that record as well (████████████████████). We can clarify, however, that there is no FCC requirement to maintain an office in each service area community. The relevant provision of our rules, 47 C.F.R. § 76.309(4)(c)(v), setting up a federal standard that local franchising authorities may exceed if they wish, requires only that a "customer service center" and "bill payment locations" be "conveniently located." A customer service center could be an equipment drop-off location open at least during normal business hours; a bill payment location could be a mail receptacle. A franchising authority may, however, in its discretion, require a cable operator to maintain an office in the service area community.

I assure you that your comments will be carefully weighed in our reconsideration proceedings.

Sincerely,

James H. Quello

James H. Quello
Chairman

JOHN T. MYERS

7TH DISTRICT, INDIANA

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Congress of the United States
House of Representatives

July 23, 1993

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AND CIVIL SERVICE
RANKING MINORITY MEMBER

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Mr. James Quello
Acting Chairman
Federal Communications Commission
1919 M St NW
Washington, D.C. 20554

Dear Mr. Quello:

In response to your statements regarding the plight of small cable operators in complying with the 1992 Cable Act, I am writing to urge you to take action to alleviate unnecessary burdens on these operators. Failing to act will seriously impede the ability of small cable systems to provide quality service to subscribers.

Section 623(i) of the Act "requires that the Commission develop and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." Consequently, I urge the Commission to:

- Permit small operators to justify their current rates based on a simplified net income analysis. A simple comparison of total system revenues to operating, depreciation and interest expenses for a specified prior period would demonstrate whether the system's current rates require any further examination. A net income analysis would be much simpler to calculate and apply than the bench mark approach.
- Permit small operators to increase rates to the bench mark cap. Rates at or below the national cap are "reasonable." By affording small operators presently charging rates below the cap the option to increase rates to the cap, it will allow these systems to retain the flexibility needed to generate necessary capital.
- Authorize small operators to base rates on the bundling of service and equipment charges. The requirement that operators "back out" equipment costs based on "actual cost" from the bench mark rates is a particularly onerous procedural requirement. The Commission should adopt a mechanism that does not force small operators to engage in these calculations.

Mr. James Quello
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- Allow small operators to pass-through rebuild costs. Small operators are generally located in rural areas. Congress and the Commission have long advocated special regulatory treatment to make state-of-the-art communications technology available to rural areas. Permitting small operators to pass-through rebuild costs will increase the chances that rural subscribers promptly gain the benefits of state-of-the-art technology.

- Clarify that the customer service requirements do not require small operators to maintain local offices in each service area community. The local office rule will prove exceptionally onerous for many small operators. Under the rule, a system serving several communities of perhaps 100 subscribers would be obligated to bear the costs of local offices in each community. Any benefits would be clearly outweighed by the costs.

- To commence a rulemaking addressing small system regulatory concerns. The Commission should comprehensively examine, in a separate proceeding, the impact of its regulations on small operators. This rulemaking should identify regulations which are presumptively more harmful than beneficial. It should also discuss alternatives to bench mark regulations for small systems such as system profitability or level of net income. Small operators should be permitted to seek waivers of the identified regulations, with the burden placed on those who favor application of these regulations to the small operators.

Taking these steps will enable small operators to serve their subscribers efficiently while simultaneously maintaining the Act's consumer protections.

Sincerely,


John Myers